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Message Text

UNCLASSIFIED

PAGE 01 LONDON 13379 111718Z
ACTION EUR-12

INFO OCT-01 EA-09 IO-14 ISO-00 AID-05 CIAE-00 EB-08
FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04
CEA-01 /115 W
----------099548 120249Z /72
R 111703Z AUG 77
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 7138
TREASURY DEPT WASHDC
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY DUBLIN
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
AMCONSUL BELFAST
AMCONSUL EDINBURGH
USMISSION GENEVA
USDOC WASHDC

UNCLAS LONDON 13379

USECC ALSO FOR EMBASSY
USOECD ALSO FOR EMBASSY
USMTN

DEPARTMENT PASS FEDERAL RESERVE BOARD; TREASURY FOR
DONALD E. SYVRUD, OASIA

E.O. 11652: N/A
TAGS: ECON, UK
SUBJECT: THE CORSET IS SUSPENDED

1. THE BANK OF ENGLAND (BOE) ANNOUNCED THIS MORNING THAT THE SUPPLEMENTAL SPECIAL DEPOSITS SCHEME. OR THE CORSET.
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WAS SUSPENDED. THE SCHEME REQUIRED THAT A BANK PLACE IN-
TEREST FREE DEPOSITS WITH THE BOE WHENEVER THE BANK'S
INTEREST BEARING ELIGIBLE LIABILITIES (IBELS) EXCEEDED
SPECIFIED LIMITS IF THE THREE MONTH MOVING AVERAGE OF
A BANK'S IBELS SHOWED MORE THAN A 1/2 PER CENT A MONTH
INCREASE OVER THE THREE MONTH AVERAGE OF A BASE PERIOD
(AFTER A SIX MONTH START-UP PERIOD) THEN THE BANK WOULD

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PLACE SUPPLEMENTAL DEPOSITS WITH THE BOE. THE AMOUNT OF SUPPLEMENTAL DEPOSITS REQUIRED INCREASED WITH THE SIZE OF THE EXCESSIVE GROWTH IN A BANK'S IBELS.

2. IN FACT, THE SCHEME HAS NOT BEEN AN EFFECTIVE RE-STRAINT ON THE GROWTH OF IBELS. THE THREE MONTH MOVING AVERAGE,ENDING JULY 20,OF THE ENTIRE BANKING SYSTEM'S IBELS WAS ONE PER CENT BELOW THE AVERAGE OF THE AUGUST-OCTOBER BASE PERIOD.

3. THE BOE EMPHASIZED THAT THE SCHEME CAN BE REACTIVATED AT ANY TIME, AND THAT A NEW BASE PERIOD WHICH IMPOSES TIGHTER CONTROL COULD BE CHOSEN. A BASE PERIOD COULD MOREOVER BE CHOSEN THAT PRECEEDED THE DATE OF THE RE-ACTIVATION ANNOUNCEMENT.

BREWSTER

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NNN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BANKS, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Sent Date: 11-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977LONDON13379
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
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Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770290-0821
Format: TEL
From: LONDON USOECD
Handling Restrictions: n/a
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Line Count: 79
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Litigation History:
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Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
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Page Count: 2
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Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 04-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1633998
Secure: OPEN
Status: NATIVE
Subject: THE CORSET IS SUSPENDED
TAGS: ECON, UK
To: STATE TRSY
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/880aa45c-c288-dd11-92da-001cc4696bcc
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